

Message Text

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TO AMEMBASSY ABU DHABI
AMEMBASSY ANKARA
AMEMBASSY ATHENS
AMEMBASSY BEIRUT
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY ISLAMABAD
AMEMBASSY KHARTOUM
AMEMBASSY KUWAIT
AMEMBASSY JIDDA
AMEMBASSY KATHMANDU
AMEMBASSY NEW DELHI
AMEMBASSY OTTAWA
AMEMBASSY SEOUL
AMEMBASSY TEHRAN

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PAGE 02 STATE 181040

TAGS: BBAK

SUBJECT: BOEING COMPANY'S REPLY TO SEC COMPLAINT

1. AS PART OF A SETTLEMENT OF A CASE BEFORE THE SECURITIES
EXCHANGE COMMISSION (SEC) BOEING COMPANY INTENDS TO RELEASE
PUBLICLY IN THE NEXT WEEK OR SO INFORMATION REGARDING HERE-
TOFORE UNDISCLOSED PAYMENTS TO "CONSULTANTS" IN A NUMBER OF
FOREIGN COUNTRIES AS FOLLOWS: (FYI: LANGUAGE BELOW IS
TAKEN FROM BOEING'S INTENDED RELEASE FOLLOWING SUBMISSION

TO THE SEC ENFORCEMENT STAFF JULY 18.) THIS INFORMATION IS FOR POST'S BACKGROUND AND WE LEAVE IT TO POST'S DISCRETION WHETHER TO INFORM THE HOST GOVERNMENTS. WHILE SEC HAS NOT CHARGED THAT ILLEGAL PAYMENTS ARE INVOLVED, PRESS REPORTING IS LIKELY TO SPECULATE ON THIS ASPECT.

2. FOR JIDDA: THE COMPANY EMPLOYED TWO INDIVIDUALS AS CONSULTANTS TO ASSIST IN ITS AIRCRAFT SALES EFFORTS TO CUSTOMERS IN SAUDI ARABIA. BOTH INDIVIDUALS WERE ENGAGED IN VARIOUS OTHER PRIVATE BUSINESS ENTERPRISES. ONE CONSULTANT ALSO HELD A GOVERNMENTAL POSITION. THE OTHER IS PURPORTED TO BE AN ADVISOR TO SENIOR GOVERNMENT OFFICIALS. NEITHER CONSULTANT WAS AN OFFICER OR EMPLOYEE OF THE GOVERNMENT-OWNED AIRLINE WHICH MADE SOME OF THE PURCHASES. THE COMPANY HAS BEEN INFORMED BY AN OFFICIALS OF THE SAUDI

ARABIAN GOVERNMENT THAT THE USE OF THESE CONSULTANTS VIOLATED NO LOCAL LAW AND NEITHER OF THEM WAS INVOLVED IN ANY GOVERNMENT APPROVAL THAT MAY HAVE BEEN REQUIRED OF SUCH PURCHASES OR IN PURCHASES MADE DIRECTLY BY THE GOVERNMENT. THE COMPANY MADE SALES DURING THE SEVEN-YEAR PERIOD IN SAUDI ARABIA OF \$234 MILLION. COMMISSIONS OF \$1.06 MILLION WERE PAID TO THESE INDIVIDUALS ON A PORTION OF SUCH LIMITED OFFICIAL USE
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PAGE 03 STATE 181040

SALES. COMMISSIONS OF \$14.4 MILLION WERE ALSO PAID ON SUCH SALES TO CORPORATE ENTITIES IN WHICH THESE INDIVIDUALS APPARENTLY HAD BENEFICIAL INTERESTS.

3. FOR ABU DHABI AND DAMASCUS: WITH RESPECT TO AIRCRAFT SALES OF \$103 MILLION TO A GOVERNMENT-OWNED AIRLINE IN SYRIA, THE COMPANY MADE A PAYMENT OF \$6.2 MILLION TO A SWISS BANK AT THE REQUEST OF AND PRESUMABLY FOR THE BENEFIT OF AN INDIVIDUAL WHO ARRANGED THE FINANCING FOR THE PURCHASER. THIS INDIVIDUAL IS A BUSINESSMAN WHO ALSO SERVES AS AN OFFICIAL OF THE UNITED ARAB EMIRATES.

4. FOR KUWAIT: IN CONNECTION WITH AN \$8 MILLION SALE OF AN AIRCRAFT TO THE GOVERNMENT OF KUWAIT FOR EXECUTIVE USE, A KUWAITI BUSINESSMAN WHO WAS ALSO AN OFFICER OF AN AIRLINE OWNED BY THE GOVERNMENT OF KUWAIT WAS PAID A COMMISSION OF \$300,000. THE PAYMENT OF THE COMMISSION WAS APPROVED BY J.E. PRINCE, THEN A SENIOR VICE PRESIDENT AND DIRECTOR OF THE COMPANY WHO UNDERSTOOD THE COMPANY WAS OBLIGATED TO PAY THE COMMISSION PURSUANT TO A PRIOR COMMITMENT. THE PAYMENT TO SUCH INDIVIDUAL WAS MADE WITH THE KNOWLEDGE OF MR. PRINCE THROUGH A LIECHTENSTEIN CORPORATION. TO THE BEST KNOWLEDGE AND BELIEF OF THE COMPANY, THE INDIVIDUAL DID NOT HAVE THE AUTHORITY TO AND DID NOT MAKE THE DECISION OF THE GOVERNMENT TO PURCHASE THE AIRCRAFT.

5. FOR KATHMANDU: IN CONNECTION WITH AN AIRCRAFT SALE OF \$5 MILLION IN NEPAL, THE COMPANY'S CONSULTANT, WHO WAS NOT AN OFFICIAL OF THE CUSTOMER OR THE GOVERNMENT, ASSIGNED \$80,000 OF HIS FEE OF \$120,000 TO A BUSINESSMAN WHO WAS ALSO A MEMBER OF THE CUSTOMER'S BOARD OF DIRECTORS. THE COMPANY LATER PAID \$15,000 TO THE SAME INDIVIDUAL IN SETTLEMENT OF A SUBSEQUENT CLAIM MADE BY HIM FOR A COMMISSION ON THE SALE OF SPARE PARTS.

6. FOR CAIRO: THE COMPANY EMPLOYED AN INDIVIDUAL AS A LIMITED OFFICIAL USE
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PAGE 04 STATE 181040

SALES CONSULTANT IN EGYPT WHO DURING A PART OF THE PERIOD OF THE SALES CAMPAIGNS ACTED AS AN ADVISOR TO THE GOVERNMENT ON MATTERS NOT RELATED TO THE PROCUREMENT OF THE AIRCRAFT. AIRCRAFT SALES OF \$137 MILLION WERE MADE DURING THE SEVEN-YEAR PERIOD. PAYMENTS AGGREGATING \$1 MILLION WERE PAID

TO THIS CONSULTANT OVER THE SEVEN-YEAR PERIOD WITH RESPECT TO SUCH SALES. SOME OF THE PAYMENTS WERE MADE TO A RELATIVE OF HIS RESIDING IN ANOTHER COUNTRY.

7. FOR TEHRAN: THE COMPANY ENGAGED AN INDIVIDUAL IN IRAN AS A CONSULTANT WHO FOR A NUMBER OF YEARS WAS RELATED BY MARRIAGE TO A RELATIVE OF THE SHAH. DURING THE SEVEN-YEAR PERIOD THE COMPANY PAID THIS CONSULTANT A TOTAL OF \$7.3 MILLION IN COMMISSIONS WITH RESPECT TO AIRCRAFT SALES MADE TO AN AIRLINE IN IRAN AGGREGATING \$223 MILLION.

8. FOR ABU DHABI: IN CONNECTION WITH A PROPOSAL TO SELL AIRCRAFT TO AN AIRLINE IN THE UNITED ARAB EMIRATES AN INDIVIDUAL, WHOM A COMPANY SALESMAN BELIEVED TO BE AN OFFICIAL OF ONE OF THE STATES WHICH OWNED THE AIRLINE AND INFLUENTIAL AS TO ANY DECISION TO PURCHASE AIRCRAFT, DEMANDED AND THE COMPANY AGREED TO PAY TO SUCH INDIVIDUAL A COMMISSION IF A SALE WERE CONSUMMATED. THE SALE WAS NOT CONSUMMATED AND NO PAYMENTS WERE MADE BY THE COMPANY TO THAT INDIVIDUAL.

9. FOR ATHENS: IN CONNECTION WITH AIRCRAFT SALES OF \$60 MILLION TO A PRIVATELY OWNED AIRLINE IN GREECE, THE COMPANY AT THE REQUEST OF THE PERSON BELIEVED TO BE THE SOLE OWNER INCREASED THE PRICE BY \$1.75 MILLION AND PAID THAT AMOUNT TO TWO CORPORATIONS LOCATED IN ANOTHER COUNTRY WHICH THE COMPANY BELIEVED WERE ALSO OWNED BY THE SAME
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PAGE 05 STATE 181040

INDIVIDUAL.

10. FOR SEOUL: IN CONNECTION WITH AIRCRAFT SALES OF \$66 MILLION TO A PRIVATELY OWNED AIRLINE IN KOREA, THE COMPANY AT THE REQUEST OF ONE OF THE PRINCIPAL OWNERS OF THE AIRLINE MADE PAYMENTS OF \$3.6 MILLION TO A COMPANY CONSULTANT WHICH THE AUTHORIZING COMPANY EMPLOYEES UNDERSTOOD WOULD BE USED BY THE AIRLINE OR THE OWNERS OF THE AIRLINE FOR AIRLINE OR AIRLINE RELATED PURPOSES. AT THE REQUEST OF AN EMPLOYEE OF THE SAME AIRLINE, THE COMPANY ALSO MADE A PAYMENT OF \$87,000 TO ITS CONSULTANT FOR THE ACCOUNT OF THAT EMPLOYEE.

11. FOR BEIRUT: IN CONNECTION WITH AIRCRAFT SALES OF \$101 MILLION TO A PRIVATELY OWNED AIRLINE BASED IN LEBANON, AN OFFICIAL OF THAT AIRLINE ADVISED THE COMPANY THAT IT WOULD BE NECESSARY THAT A \$3.6 MILLION COMMISSION BE DEPOSITED IN A SWISS BANK ACCOUNT UNDER ESCROW INSTRUCTIONS THAT SUCH AMOUNT WAS TO BE RELEASED TO A LIECHTENSTEIN CORPORATION UPON RECEIPT BY THE BANK FROM THE AIRLINE OF A SIGNED COPY OF A PURCHASE AGREEMENT FOR THE AIRCRAFT AND ADVANCE PAYMENTS DEPOSITED FOR THE ACCOUNT OF THE COMPANY IN AN AMOUNT SUBSTANTIALLY EXCEEDING THE AMOUNT PAID INTO ESCROW BY THE COMPANY. THE BENEFICIAL OWNER OR OWNERS OF THE LIECHTENSTEIN CORPORATION WERE NOT THEN AND ARE NOT NOW KNOWN TO THE COMPANY. HOWEVER, THE AIRLINE OFFICIAL WHO ADVISED THE COMPANY OF THE REQUIREMENT HAS ASSURED THE COMPANY THAT THE MONEY DID NOT BENEFIT ANY AIRLINE EMPLOYEES AND THAT NO GOVERNMENT APPROVAL OF THE PURCHASE WAS NECESSARY

12. FOR CAIRO AND ABU DHABI: IN CONNECTION WITH AIRCRAFT SALES OF \$137 MILLION IN EGYPT, THE COMPANY MADE PAYMENTS OF \$8.7 MILLION TO TWO LIECHTENSTEIN CORPORATIONS. THE COMPANY BELIEVED THAT SUCH PAYMENTS WERE FINANCING FEES NECESSARY IN ORDER FOR THE CUSTOMER TO RECEIVE THE FINANCING AND THE ULTIMATE RECIPIENTS
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PAGE 06 STATE 181040

OF THESE PAYMENTS WERE THE PERSONS WHO ARRANGED OR PROVIDED THE FINANCING. HOWEVER, THE COMPANY DOES NOT KNOW THE INDIVIDUALS WHO WERE RESPONSIBLE FOR ARRANGING THE FINANCING. THE COMPANY ALSO MADE A PAYMENT OF \$900,000 TO ANOTHER LIECHTENSTEIN CORPORATION FOR THE ACCOUNT OF AN INDIVIDUAL WHO WAS NEITHER AN EMPLOYEE OF THE CUSTOMER NOR THE GOVERNMENT OF EGYPT, BUT WAS A BUSINESSMAN AND ALSO AN OFFICIAL OF THE UNITED ARAB EMIRATES. THIS PAYMENT WAS MADE TO SETTLE A DISPUTE WITH THIS INDIVIDUAL WHO CLAIMED HE WAS ENTITLED TO A COMMISSION ON A PORTION OF THE SALES FOR ARRANGING THE FINANCING.

1 FOR KHARTOUM AND ISLAMABAD: THE COMPANY ENGAGED AN

INDIVIDUAL KNOWLEDGEABLE ABOUT BUSINESS FINANCING AS A FINANCING CONSULTANT TO ADVISE AND ASSIST THE COMPANY IN CONNECTION WITH THE AVAILABILITY AND THE ARRANGING OF FINANCING FOR SEVERAL AIRLINES IN THE MIDDLE EAST AND AFRICAN AREAS. THE COMPANY AGREED TO PAY FEES TO SUCH CONSULTANT IF SALES PROPOSALS THEN PENDING OR UNDER CONSIDERATION IN CERTAIN COUNTRIES COULD BE CONSUMMATED AND FINANCED. SALES WERE MADE IN SEVERAL OF THE COUNTRIES. FEES AGGREGATING \$1.4 MILLION WERE PAID TO TWO LIECHTENSTEIN CORPORATIONS DESIGNATED BY THE CONSULTANT WITH RESPECT TO SERVICES RELATING TO THE SUDAN, PAKISTAN AND ONE OTHER COUNTRY.

14. FOR OTTAWA, ATHENS, NEW DELHI, KHARTOUM, ANKARA: THE COMPANY EXECUTED TWO CONSULTING AGREEMENTS IN CONNECTION WITH AIRCRAFT SALES IN A NUMBER OF COUNTRIES INCLUDING ARGENTINA, CANADA, GREECE, INDIA, THE SUDAN, TURKEY AND VENEZUELA. IN SOME CASES THE TWO AGREEMENTS WERE THE SAME CONSULTANT; IN OTHER CASES THE LIMITED OFFICIAL USE
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PAGE 07 STATE 181040

AGREEMENTS WERE WITH INDIVIDUALS OR COMPANIES BELIEVED TO HAVE SOME BUSINESS RELATIONSHIP. IN ALL CASES THE TWO AGREEMENTS WERE EXECUTED AT THE REQUEST OF THE CONSULTANTS. IN CERTAIN INSTANCES PAYMENTS DUE THE CONSULTANT UNDER AN AGREEMENT WERE MADE TO A BANK ACCOUNT LOCATED OUTSIDE THE COUNTRY IN WHICH THE CONSULTANT RESIDED. IN SEVERAL OTHER INSTANCES THE COMPANY ENGAGED AS COMMISSION CONSULTANTS PERSONS OR CORPORATIONS WITH WHOM THE COMPANY HAD OTHER CONTRACTUAL ARRANGEMENTS AND ALL OR A PORTION OF THE COMMISSIONS PAID WERE PAID TO BANK ACCOUNTS OF THE CONSULTANT LOCATED OUTSIDE OF THE COUNTRY IN WHICH THE CONSULTANT RESIDED. IN SEVERAL OTHER INSTANCES THE LEGAL ENTITIES WITH WHICH THE COMPANY CONTRACTED FOR CONSULTING SERVICES WERE SWISS OR LIECHTENSTEIN CORPORATIONS BELIEVED TO BE OWNED BY THE PERSON OR PERSONS WITH WHOM THE COMPANY DEALT. IN A LIMITED NUMBER OF CASES, PAYMENTS WERE MADE TO BANK ACCOUNTS IDENTIFIED BY NUMBER ONLY. IN ONE INSTANCE THE COMPANY PAID A CONSULTANT BY CHECK AND ASSISTED THE CONSULTANT IN CONVERTING A PORTION OF THE PAYMENT INTO BEARER BANK INSTRUMENTS. CHRISTOPHER

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